

# Investor's Reader

August 30, 1961

CHARLIE SOMMER AND  
MONSANTO'S FUTURE  
(see page 20)





## RUSS TOGS ROUTE

A whole sewing circle of dress, sportswear and co-ordinate makers has set up financial shop in Wall Street the past few years. Prominent members of the sorority include Bobbie Brooks, Majestic Specialties and Jonathan Logan. Yet another is Russ Togs Inc which brought its fashions (see tasseled sample at right) to the Street last December. However 77% of the 978,000 shares outstanding are held by president Eli Rouso, who founded the company 15 years ago, and other insiders. This leaves only a thin and volatile public market for the shares which were initially offered at \$7.67 (adjusted). Like many other enthusiastically regarded fashion apparel stocks, the shares soared into the mid-thirties. More recently they have settled back around 23 in the over-the-counter market. The public holdings consist of Class A stock which pays 15¢ quarterly; management holds the currently dividend-less B stock, convertible piecemeal into A shares.



A specialist in women's medium priced (\$4-to-13) sportswear, Russ Togs emphasizes color, styling and coordination of various items in its line. Its chief appeal is to the teenage, career and young housewife markets. Three quarters of its output is sold under the Russ Togs name through 10,000 retailers and mail order houses; the remainder is private branded. About 90% of output is supplied by contractors under company supervision, the rest sewn at the Russ Togs plant in Manhattan.

For the year ended July 31 president Eli Rouso estimates Russ Togs sales at some \$19,000,000 v \$15,900,000 in fiscal 1960. Earnings for the year just ended are expected to be \$1.05 a share v 79¢ (adjusted for the 3-for-2 stock split in June). For fiscal 1962 president Rouso estimates sales up 15% and foresees earnings of \$1.20. He notes "this is exclusive of any possible acquisitions." Currently the company is actively investigating two possible acquisitions "which are right in line with present operations."

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# Investor's Reader

No 5, Vol 37

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## ***The 3,000,000th Patent is on the Press***

Granted by US Office which  
Protects Inventors' Rights,  
Serves as Idea Storehouse

ON SEPTEMBER 12 the US Patent Office will mark an impressive milestone in its history and in the progress of American industry—the issuance of the 3,000,000th patent. But until the office's *Official Gazette* publishes the long-awaited number that day, the invention's identity is probably the best kept secret in Washington.

Distributed every Tuesday precisely at noon, the *Gazette* lists between 800 and 1,000 patents and designs granted that week, giving brief descriptions as well as illustrations in most cases. Because it takes six weeks to print this compendium the historic brainstorm has already been numbered and dated.

The issuance of patent No 3,000,000 conveniently coincides with another milestone in the Patent Office's history—celebration of its official 125th anniversary. It was the

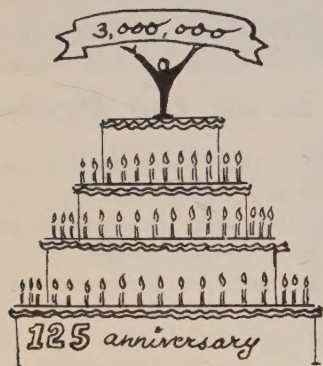
Act of 1836 which established the office as a distinct and separate bureau and set the standards for patent granting in effect today.

However the US patent system goes back far beyond that. Actually it is one of the oldest agencies in Government. The Constitution specifically empowered Congress "to promote the progress of science and useful arts by securing for limited times to inventors exclusive rights \* \* \* to their invention." The patent system was then established by an Act of Congress in April 1790, less than a year after Washington took his oath of office. This was the first time inventors anywhere were granted patent protection as a matter of right rather than as a special favor individually awarded by a gracious sovereign or parliament.

An early testament to the patent system's importance is found in a comment of its first administrator, Secretary of State Thomas Jefferson: "The issue of patents for new dis-



coveries has given a spring to invention beyond my conception." In what he perhaps considered a conflict of interest possibility, inventor Jefferson never took out patents on his own creations. Among the long list of Jeffersonian inventions are a plough improvement, revolving chair, pedometer and the famous calendar clock which still keeps faithful time at Monticello.



Other inventors have been more careful to protect their discoveries. In so doing they not only insure their exclusive right to produce and profit; they also assure the public of uniform quality and make possible mass production and wide distribution through licensing agreements. A patent applicant must furnish a detailed explanation of his invention "sufficiently full and clear to teach a person skilled in the field of the invention to make and use it." When the patent is granted this "specification" becomes public and available to anyone for 25¢ a copy. This dissemination of information which has allowed other inventive minds to build and improve is the feature of the sys-

tem which has given impetus to rapid evolution in many industries.

The task of the Patent Office, already enormous, can by its very nature only grow larger and more complex every day. It receives some 7,500 patent applications each month. At present 200,000 applications are pending of which approximately 135,000 are considered the "normal workload" for the examining staff, 65,000 the "constant" backlog. It has remained at approximately that level for the last six years. The office's job is handled by 2,450 employes, over half of whom have scientific or law degrees or both. Even so it takes  $3\frac{1}{2}$  years on the average to get a patent grant after the application is filed.

The biggest reason for the lag is "the search" to satisfy the most important of three criteria for patent granting: novelty. The examiner must establish beyond all reasonable doubt that the requested patent is for something new. This naturally requires a search of all "prior art" by someone well acquainted with the technology and language of the particular field. The other criteria for a patent grant are invention (ie, an improvement of a mechanical, chemical or electrical nature which required study, experimentation and imagination) and utility.

Aside from these standard patents which make up the bulk of its work, the office grants patents on plants (rose varieties, for instance) and on designs of such items as furniture, clothing or dishes. It also is the official registry for all trademarks.

To facilitate the searches by its

own examining staff and preliminary searches by patent attorneys, inventors, companies and a curious public-at-large, the Patent Office maintains at its Washington headquarters (it occupies over half of the Commerce Building) two complete sets of all the patents ever issued. Classified according to subject matter in 350 main categories and some 57,000 sub-classes, one set is for the exclusive use of the office's own staff, one is housed in a huge public search room. In addition, 21 libraries across the country have sets of the same patents arranged by number.

### **Stacks in Demand**

To satisfy the constant demand for copies of patent grants, there are between three and four acres of stacks crowded with more duplicates in the Commerce Building basement. From this supply some 25,000 requests for copies are filled every day.

At the helm of this huge operation is one of the youngest (and the only single) Presidential appointees in the Kennedy Administration. Not yet 35, the new Commissioner of Patents is former Chicago patent attorney David Lowell Ladd. He should be well qualified for the job, having clerked for and later joined the firm of Casper W Ooms, who himself had been Patent Commissioner in 1945-47.

Attacking his job with youthful enthusiasm, Commissioner Ladd considers "research and development in information retrieval" the most important single job facing him and his staff. From his seat behind a long work table, the shirt-sleeved official offered a long-range view of the Patent Office's role:

"Thirty years from now disseminating information will be as important as granting patents." To prepare for this future and satisfy present demand, "we are duplicating classified files on microfilm [with a view] to making search centers nationwide."

In addition the office is now in the process of programming some search material on an IBM Rmac 305. Mechanization will still require a good deal of informed human searching but the time involved could be cut considerably. For instance, all data on organic phosphorus compounds were programmed in the initial experiment and it was found an average machine search took two-to-four minutes compared to six hours manually.

R&D director Don Andrews explains: "We are looking for better and cheaper ways of converting the printed word into a searchable format. Our goal is to mechanize all the material it is economical to program but we are going to be selective for a while."

Personnel also presents a growing problem. The examining staff has a 20% yearly turnover because many young men consider it merely good training and experience before going into law practice; too few choose patent examining as a permanent profession. David Ladd thinks establishing a training school in connection with the office might be the answer to maintaining a more stable staff.

Another change he would like: speedup in certain cases of the 3½-year wait for a patent grant. He hopes to work out a system of ex-



pedited treatment for applicants who can rightfully show "just cause and need" for it, such as constant infringement problems, advancing age or dependency on a patent to start a business. This would be quite a departure for the office which has always played the role of a disinterested grantor, unconcerned with any personal, legal or production problems of the patentee.

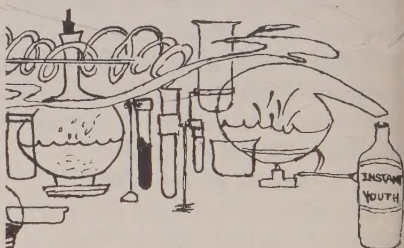
Another of Commissioner Ladd's duties is preparing the office's budget. He has estimated it will take \$24,860,000 to operate this gigantic technical information center in the 1962 fiscal year. Three quarters of the sum goes for the payroll; the next biggest item is printing costs. In 1956 when there were 785 examiner assistants *v* 1,017 today, the budget was only \$14,500,000.

### **Paying for Patents**

At present just over a third of the office's operating costs are covered by fees and deposits. There was a time when statutes specifically forbade a deficit in the Patent Office; in fact, between 1836 and 1931 the office had handed over a total profit of \$5,617,000 to the Treasury. Although it is doubtful the office will ever become self-supporting again, some proposed changes in patent fees now before Congress hopefully would raise the office's receipts to cover 75% of its needs.

Today's patent fees are relatively low compared with the fees of other countries or the going rate for comparable professional services in the US. Basically, an applicant must pay \$30 plus \$1 for each claim in excess of 20 when he files and the same fee

again when & if the patent is issued. The claims which "particularly point out and distinctly claim the subject matter which the applicant regards as his invention" are the "operative part of the patent." They are the basis for judging the application's "novelty and patent-ability" and, later, for settling questions of infringement.



For design patents, fees vary according to the desired period of protection which can be 3½, 7 or 14 years. Standard patents are all issued for 17 years, can be extended only by special act of Congress. Excluding 107 extensions granted War II veterans under a special act, only one has been granted in the last 80 years.

The proposed new schedule would raise filing fees to \$40 plus \$2 for each claim in excess of ten, the issuance fee to \$50 plus \$2. In addition the bill would for the first time establish maintenance fees. If the holder wishes to retain his patent's status he would have to pay \$100 after five years, \$300 after nine and \$500 after thirteen. Altogether this would mean a minimum expenditure of \$990 over the 17-year period. But in Germany, for instance, the minimum overall cost of carrying

a patent for 18 years is \$2,500. As of now, only the US and Canada do not charge patent maintenance fees.

Actually in most cases the greatest expense involved in obtaining a patent is not the Government fees but the price of qualified counsel. An attorney's fees vary greatly, of course, but it is estimated legal fees for the simplest patent would mount to at least \$700.

Many companies active in research and product development apply for hundreds of patents every year, maintain patent specialists on their legal staffs to filter the constant stream of brainstormers. Example: Standard Oil of New Jersey employs about 50 patent lawyers just in the US; Bell Telephone Labs has a staff of 75. Most large corporations retain the rights to all inventions of employees. While the individual must apply for the patent in his own name, he does so as "assignor" for his employer. There are no noticeable signs of increasing business control of inventions however. Although three-fifths of all patents are "assigned" to corporations, the ratio has remained stable for many years.

### **Drug Debate**

There have been a number of vociferous complaints about possible corporate abuse of the patent process, most recently in the Kefauver hearings directed against the drug industry. One upshot has been the drafting of the Kefauver-Celler Bill which would shorten the exclusive patent life in the case of drugs to a maximum of three years; thereafter the patentee would be forced to li-

cense all "qualified manufacturers" who apply. The bill would prohibit pre-patent agreements—out-of-court settlements arrived at by companies which may have come up with the same invention practically simultaneously.

The ethical drug industry counters any such restrictions would sharply limit the ability to finance expensive research in the hope of coming up with a new (and profitable) wonder drug. And paradoxically, the limitations would probably lead to greater concentration in the industry and higher drug prices.

Another objection: if one industry is singled out now, others could face restrictions in the future and the entire patent system could deteriorate. However, in its present form at least, major action on the Kefauver-Celler Bill is probably remote.

Of course, even when a patent is granted, there is no guarantee the inventor—or his corporate assignee—will be able to capitalize on it. For many years a common estimate was that only 5% of all patents granted ever came into actual use. However the Patent, Trademark & Copyright Foundation of George Washington University has recently published a study which sounds encouraging. Its random sampling in selected years suggests "by the time they expire, 55-to-65% of all assigned [to corporations] patents had been used in production to some extent and at some time." And even the lone inventors with unassigned patents were able to find practical use for an estimated 40-to-50%.



## BUSINESS AT WORK

### NATIONAL ECONOMY

#### Trend Bucker

THE postwar period has been an age of successful drug companies but last week spelled the end for one: Morris Drug Company of York, Pa which has done business at the same address since 1823. Said part-owner Roger H Shultz: "The drop in the volume of business does not warrant further operation of the company."

### PUBLISHING

#### Men Who Get Ahead Run

#### *The Wall Street Journal*;

#### Some New Figures Presented

AT THE VERY TIME when many publishers are going through some serious problems, the INVESTOR'S READER has secured some rare figures on Dow Jones & Company. Dow Jones publishes *The Wall Street Journal*, *Barron's Magazine* and the news which appears on the "broad tape," more formally known as the Dow Jones News Service.

- The company had revenues of \$47,678,000 in 1960 or over five times the \$9,094,000 of 1950 and 15 times the \$3,126,000 of 1940.

- Earnings in 1960 were \$6,369,000 or \$40.77 on the 156,220 shares outstanding against \$757,000 or \$4.85 on a few more shares in 1950 and \$169,000 or \$1 a share on 169,000 shares in 1940.

- Circulation of *The Wall Street Journal* has risen from only 29,000 in 1940 to 166,000 in 1950 and 707,000 at the end of 1960. *Barron's* was neck & neck with the *Journal* in 1940 at 29,000 and reached 129,000

by the end of 1960. In just the last six months the *Journal* has climbed to 788,000 and *Barron's* to 159,000.

- In the six months ended June 1961 revenues climbed to a record \$25,891,000 but profits were a shade lower at \$3,255,000 or \$20.83 a share v \$3,338,000 or \$21.37 a share in 1960.

- These are the figures of a growth company and Dow Jones common stock has been a star performer. Ten years ago in private dealings the stock would have changed hands for less than \$100. Only a handful of shares are now traded publicly but they have zoomed from about \$800 in August 1960—when public quotations first appeared—to a high of \$1,425 bid, \$1,525 offered at press-time. In 1960 dividends totaled \$20 a share. Despite the price, officials say a stock split has never seriously been considered.

Financial information on Dow Jones was kept very much in the official family until April 1960 when restrictions on the transfer of stock were removed at a special stockholder meeting. This helped increase the number of stockholders to 121 at the end of 1960 from 68 in 1959.

The *Journal* is now printed simultaneously in seven different cities: New York, where it is edited, Washington, Chicopee Falls, Mass, Cleveland, Chicago, Dallas and San Francisco. To accomplish this production feat, the paper uses an advanced form of wire transmission called electro-typesetting. Tape is punched on a special teletype key-



board in New York (or Washington if time or volume of traffic dictates) and that tape activates typesetting machines in the other cities. Hence the *Journal* reaches most US investors and businessmen early in the morning. The seven printings permit advertising aimed at regional markets.

Soon the *Journal* will pioneer brand new (for newspapering) facsimile transmission. Whole pages of the paper will be transmitted from San Francisco to Riverside, near Los Angeles, by TV-type cable.

### **Right Time, Right Men**

Technical prowess is only one reason for the *Journal's* phenomenal growth. Conditions have been favorable: interest in the stock market and business news has grown tremendously in the last decade. The number of stockholders in the US is estimated by the New York Stock Exchange at 15,000,000 v 5,500,000 in 1948. And both the *Journal* and the Dow Jones ticker have their fields pretty much to themselves.

But possibly most important of all are the men behind page one. The company is run almost entirely by men who have had their training as working newspapermen and whose fortunes consist almost entirely of what they have made for themselves on the *Journal*.

President of Dow Jones is 52-year-old Bernard "Barney" Kilgore who as a young reporter on the *Journal* in the early Thirties used the then bizarre notion that business news could be written in plain and even entertaining English. He became managing editor in 1941 and president in 1945. As he moved up the

ladder along with sympathetic and contemporaneous colleagues like vice presidents William F Kerby and Buren H McCormack and executive editor Robert Bottorff, Kilgore policies became those of the paper.

Today Barney Kilgore and his associates are active in furthering good journalism outside the *Journal*. Through the Dow Jones-endowed Newspaper Fund, fellowships are being provided this Summer for 477 high school teachers to study ways to improve the school papers they supervise. President Kilgore is a very active member of the Sigma Delta Chi national journalism society. This interest also applies to Buren McCormack who is Sigma Delta Chi's president-elect.

Now *Journal* and ticker writers (basically the same staff writes both) take infinite pains to define technical terms, write briefly and brightly.

*Journal* reporters have chalked up some notable triumphs. News editor Ed Cony this year earned a Pulitzer Prize for his exclusive story concerning the dealings of then Prudential Insurance Company president Carrol Shanks while he was a Georgia-Pacific Corp director. The story brought into sharp focus the problems in conflict of interest. Other Pulitzer winners on the *Journal* staff have been editor Vermont Connecticut Royster (who happens to be a North Carolina native) and William H Grimes, retired editor.

Among other achievements, Dow Jones reporters (this time on the ticker) broke the news about the sudden merger of United Press and

International News Service, beating both those wire services and the Associated Press. The *Journal* has had reporters in closets listening to important labor negotiations. And it covered the presumably closed meeting of stockholders of National Exhibition Company (owners of the then New York Giants) and thereby carried the first official news of the Giants' move to San Francisco.

## MERCHANDISING

American News View  
Sketched By Outspoken  
Chief Henry Garfinkle

**B**USTLING ABOUT his paneled office up the street from Manhattan's Holland Tunnel, shirt-sleeved American News Company president Henry Garfinkle made an all-encompassing statement: "What makes this company great is the business it is in." Then between answering phone calls ("Mr G's" secretary booms messages over a loud-speaker system) and pointing out mementos (a picture of himself at age 18 in front of his first newsstand) Henry Garfinkle described an American News which has decidedly changed since the short, energetic executive took over six years ago.

Once a major link between magazine publishers and their retail outlets, American News discontinued its wholesale periodical division four years ago. Explains Henry Garfinkle: "I was tired of losing \$2,000,000 a year on magazines." The demise of weeklies such as *Collier's* plus moves by various publishers to distribute their own products meant losses. President Garfinkle describes the

magazine elimination as "the turning around of the company." In 1957, the year of the magazine amputation, volume fell 42% to \$100,000,000 and American News lost nearly \$5,000,000.

With the decision to drop magazines Henry Garfinkle also resolved to retain the wholesale book and stationery divisions which had "a better margin of profit." As the nation's largest book wholesaler, American News distributes its hardcover best-sellers to department and independent stores by way of 31 coast-to-coast branches. The company also runs 2,700 lending libraries and a subscription clearing house.

Meshed into wholesale distribution is the American Match division which sells matches to advertisers. President Garfinkle claims: "American Match has accomplished wonders since I bought the [Zanesville, Ohio] plant five years ago." For the past 1½ years the match salesmen have also vended advertising specialties such as combs and wallets or "just about anything you want to put your name on." Today, says Mr G, "matches and advertising specialties offset the shorter profits on books and stationery."

By far the largest and most profitable part of the company is subsidiary Union News, acquired shortly after seven wholesale magazine distributors founded parent American in Civil War days. Union is best known for its 1,200 newsstands, tobacco, gift, book and drug outlets. It also operates 300 restaurants, bars and coffee shops including the Savarin chain and 28 Rockefeller Cen-



ter eateries such as the plush Cafe Louis XIV. This year Henry Garfinkle figures Union News will bring "close to \$100,000,000" in sales. He further predicts a total American News volume of \$125-to-130,000,000 compared to \$120,000,000 in 1960 but still well below the magazine-bolstered \$202,000,000 of 1952.

In the first half of this year the company's volume rose 3% while earnings climbed a penny a share to 67¢. American News generally does "the big part of its business in the last part of the year when everyone is back from vacation."

### **Economy Trips**

President Garfinkle blames the lackadaisical first half on "the weather and the economy was in bad shape in some places like Detroit and Cleveland. Also we were affected by the Freedom Riders in 120 locations." Because it concentrates on the traveling public, the company is quickly hurt by transportation halts such as airline strikes.

If American News attains its sales goal this year, based on 1960 profit margins earnings should be roughly \$1.60 on each of the 1,600,000 shares outstanding. This compares with \$2,397,000 or \$1.51 a share in 1960. The company has a long way to go before matching peak year 1948 when earnings were \$4,500,000 or \$2.67 a share. However it is well recovered from the big 1957 loss and also far above the 1953-54 level prior to Mr G's entrance.

Born on the lower East Side 55 years ago, Henry Garfinkle first worked for Union News as a train candy butcher. He also ran (and still

owns today) a newsstand on the Staten Island side of the ferry. Mr G left Union News in the mid-Twenties to set up three competing companies in New York and Boston. Says he: "I came back to this company because I had some friends getting hurt." Another stimulus: "You couldn't put this thing together today for \$200,000,000." On his return "I divested myself of interest in the other companies." He breezily adds: "They are now owned by a 14½-year-old —my adopted son."

The outspoken executive claims "it was me, Henry Garfinkle alone," who in 1955 stepped in and revamped American News management. However his efforts were assisted by one young man of legal talent: Roy M Cohn who after a brief but prominent Governmental career now devotes himself to cor-

### **American Newsmaker Mr G**



*August 30, 1961*

porate affairs. For a short period he served as American News general counsel. He is presently chairman of Lionel Corp and active in the campaign to replace the management of Fifth Avenue Coach.

According to the latest proxy statement dated February 28, President Garfinkle owns nearly 100,000 "ANC" shares or 6% of the total. The stock trades on the Big Board around the alltime high of 47 $\frac{3}{4}$ . It sold below 10 in 1957, adjusted for a 2-for-1 split in 1960.

The company's unbroken record of quarterly dividends (now 25¢), "paid every quarter since 1864, is the longest in the country." President Garfinkle adds: "My directors ask me why we don't publicize this. I say let's just keep paying it."

Henry Garfinkle believes "our job is to keep making a little more money each year." With this in mind he has put the company in some fast growing fields. They include :

- Bowling which "marked a notable departure from our usual activities." In 1958 the company won an operating contract for 30 alleys at the Pennsylvania Railroad's Philadelphia station. Union News also has "bowling alley food & drink concessions in probably 30 cities."

- New airport locations. Though long a standard fixture in railroad stations, Union News had "until 1957 made little progress in obtaining airport" concessions. Now it is in Jacksonville, Akron-Canton, Minneapolis-St Paul to name a few. Two of the biggest deals are for the new United Air Lines-Delta and the TWA terminals at Idlewild to "operate the

complete restaurant, bar, newsstand and gift shop installation \* \* \* I wish we would get a package like that every year."

- "One of our newest activities is in-flight catering." Savarin serves "about 18 airlines, mostly in the Midwest. We have made great strides here."

- In January 1959 "we entered the field of theater" refreshments in RKO's 67 cinemas, a business ABC Vending "had for 30 years." Just last month American News won the concession for the 82 Loew's theaters, again from ABC Vending. The Loew's booths do a \$5-to-6,000,000 volume a year. Henry Garfinkle states: "When you put out a good product they'll come chasing you. Our operations all interweave. For example, if a theater runs a Walt Disney movie we will sell little toys. If they don't sell, we'll just shift them around to another one of our locations."

- While the company, says prexy Garfinkle, "has always operated vending machines in some places, the business has been on a much broader scale since I came." With vending volume now at \$8,000,000, he looks to "\$10,000,000 by 1962." The company has no plans to manufacture vending machines for "if we absorbed a producing company we would have to stick to their models. I like to see the manufacturers do their dancing lessons." However Mr G admits "we do have many other types of acquisitions in mind;" he hints "since we use 41,000,000 cups a year we could be making our own."

Exactly one year ago American



News paid 107,000 treasury shares for Crotty Brothers, a food service management concern with \$15,000,000 annual sales and \$400,000 profits. Executive Garfinkle describes Crotty as "quite a nice organization up in Boston with 3,400 employees." Crotty serves 300 clients, mostly in the East, including employees at Manhattan's glassy Lever House. Mr G informs: "By this month all Crotty locations will have vending machines" although "we will keep cafeteria service for groups over 400."

Looking to future undertakings, Henry Garfinkle is "negotiating" all the concessions of the recently announced \$75,000,000 entertainment center which will rise above Manhattan's Penn Station. The project includes a new Madison Square Garden, an office building, hotel, restaurants. Currently the Garden runs its own refreshment booths but Union News is well entrenched in Penn Station. The center is slated for completion around World's Fair time in 1964, an occasion Mr G plans to cash in on with his present "430 Metropolitan locations."

## CHEMICALS

### Nalco Notes

**A**PPROPRIATELY enough, water treatment specialist Nalco Chemical is carrying on an intensive research program in water desalinization (IR, May 10). While chairman Thomas Clive Jones notes "Nalco's work in this area is strictly on a research basis," the company's membrane-type desalting system for converting brackish water into sweet water "has interesting possibilities."



**Water treater Jones**

The \$33,000,000-assets company has been research-oriented since its founding in 1928. From one basic chemical—sodium aluminate, a water clarifier—the company has expanded into a whole set of tailor-made water treatment chemicals which control corrosion, reduce scale and prevent formation of foam and slime. Today they are used by almost every industry from air conditioning to zinc smelting and account for almost 50% of company sales.

Nalco's water know-how introduced the company early to foreign markets. During War II Allied forces found captured enemy rail equipment unusable; locomotive boilers and pipes were badly scaled. Nalco water treatment chemicals restored the equipment and won for the company a wide European demand for its specialty products. It now has four subsidiaries in Europe and three in Latin America. Says chairman Jones: "There is no question about it—we sure expect to expand our foreign

operations." Currently sales from overseas subsidiaries account for "a little less than 10% of volume."

While foreign sales have shown rapid growth, domestic operations have increased at an even faster pace. War II not only opened new markets for Nalco water treatment chemicals but also provided impetus for the company's first big diversification move. In cooperation with the Defense Plant Corp, Nalco began manufacture of petroleum catalysts which today together with fuel stabilizers, process corrosion inhibitors, industrial cleaners and emulsion breakers form the company's second largest product line.

### **Oil Caterer**

Many Nalco water treatment products are also sold to the oil industry and Nalco plans still more products for this chief customer. Within the next two years new facilities at Freeport, Texas (designed & engineered by Fluor Corp) will be producing tetramethyl and tetraethyl lead, compounds used in gasoline to improve octane rating and reduce engine knock.

Nalco diversified further in the postwar years as the railroads shifted from steam engines to diesels. Steam locomotives had been one of the largest users of water purification materials and rather than lose a prime customer Nalco research came up with a whole slew of new products to serve the railroads. These include diesel fuel oil additives, locomotive wheel flange lubricants and weed and brush control chemicals. The latter have received special Nalco attention in the last year; the company built

a \$20,000 greenhouse to grow weeds for chemical control testing.

In addition to its rail, oil and water treatment specialties Nalco makes water softening resins, coagulants and a number of intermediate chemicals. In the last decade sales of this wide product mix have tripled to \$48,340,000 in 1960. Earnings more than doubled to \$4,230,000 or a record \$1.75 a share. And the company's 2,400,000 common shares which trade over-the-counter at 61 show a fifteen-fold increase over the same period.

Sales and earnings in the first half this year were \$25,990,000, up 2% from a year ago, and earnings were \$2,400,000 or \$1 a share, a penny more than the first half of 1960. For the full year Wall Streeters estimate earnings at \$2 a share which chairman Jones feels is "approximately right although earnings could be a little more or a little less."

## **FOODS**

### **Campbell Kettle**

**F**REEZE DRYING of processed foods (IR, June 7) drew a new and important convert two weeks ago when Campbell Soup Company took the lid off its Red Kettle dry soup mix line. Campbell president William Beverly Murphy stated: "We refrained from entering the market until we were quite sure that our dry soup mix line met Campbell's standards."

While the ruddy-complexioned, blue-eyed executive allows "not all of our soup ingredients (such as those in consomme) lend themselves to freeze drying," he notes "foods



which have very little water content such as beef, chicken, mushrooms and some other vegetables" will be processed at the multi-million dollar freeze drying installation at Campbell's Camden, NJ headquarters.

This is akin to the partial freeze drying technique adopted by veteran soup dehydrator Thomas J Lipton Inc, a Unilever subsidiary. Another prominent chef at the dried soup mix stove is Corn Products which acquired controlling interest in European soup specialist C H Knorr GmbH four years ago and opened a Knorr plant in Illinois in July.

Campbell test marketed a dry noodle soup mix 18 years ago but withdrew it from sale "because we were dissatisfied with the processes and packages then available." One problem: the sharp edges of the dried noodles at times pierced the foil packages. Beginning this Fall however, Campbell will introduce "market-by-market" seven varieties of Red Kettle dehydrated soups. Packed in Campbell-developed & produced hermetically sealed aluminum cans, the dry soup mixes will be sold two-in-a-carton (the package protects the opener tab) at "about the same price" as condensed soups.

Although the entire dry soup mix market totaled only \$28,000,000 two years ago, optimistic Campbell executives "will be disappointed if we don't do \$25,000,000 with Red Kettle soups in two-to-four years." They feel the new line will supplement rather than cut into the existing prepared soup market. President Murphy pinpoints: "There's still a lot of homemade soup."

Along with the Red Kettle line, the world's No 1 soup cook is "introducing more new products this Fall than ever before in our history." Its existing 29 varieties of canned condensed soups will be augmented by vegetable bean soup and chile beef soup. Away from the soup kitchen, the Swanson division will later this year introduce three new frozen deep dish meat pies and a pork pie. Also "over a dozen new bakery items" will be brought out by Pepperidge Farms. The high quality baker with annual sales of \$32,000,000 was acquired in January for 357,000 shares.

### Stock Steam

The acquisition brought to 11,124,000 the sum of Campbell common shares. First offered to the public in 1954 at 39¼, they have repeatedly bubbled to new highs on the NYSE in the past four years. Currently the stock trades only two points off the steamy alltime high of 119 registered earlier this month.

The third-of-a-billion assets company has also ladled out a tasty diet of financial records. Since 1946 sales have nearly tripled to \$516,000,000 in the year ended July 1960. Net income during this 14-year span more than doubled to \$38,860,000 or \$3.71 a share. Campbell reports semiannually and for the half year ended January 29, sales were up 6% to \$289,000,00; earnings rose 11% to \$1.93 a share with all figures adjusted for the Pepperidge acquisition. Although the annual report for the year ended last month will not be published until early October, Wall Street gourmets think earnings may have boiled over the \$4 mark.

## MANUFACTURING

### Air Products Adds “& Chemicals,” Sees Year of “Consolidation”

**T**HINGS HAPPEN fast at the company now known as Air Products & Chemicals Inc of Trexlertown, Pa, some ten miles from Allentown. In a period of a few months this specialist in industrial gases has recorded these recent accomplishments:

- It has just about completed preparations for application to list on the New York Stock Exchange. Approval is expected in the Fall.

- It has wrapped up the biggest merger in its 21-year history, joining forces with Southern Oxygen Company of Bladensburg, Md, just across the District line from Washington.

- It has added “& Chemicals” to its former name of Air Products to signify broadening of the company’s interests into chemicals.

- It is entering the field of oxochemicals through a joint venture with Tidewater Oil Company at Delaware City, Del. Principal user of the iso octyl, decyl and tridecyl alcohols produced there will be Reichhold Chemicals. Main end use will be plasticizers used to make plastics soft and flexible. Tidewater will provide raw materials and run the plant while Air Products & Chemicals will design and engineer the plant and be responsible for sales.

- It has bought up the remaining 49% of Air Products Ltd of Britain. This company currently poses about the only serious market threat to far larger leader British Oxygen.

- It is putting the final touches on the fifth of a series of oxygen plants

completed within the last seven months at major steel mills for use in their open hearth and oxygen furnaces. This one is for Bethlehem Steel at Sparrows Point, Md. Already on stream this year are plants for Jones & Laughlin (one in Cleveland, another in Pittsburgh), Granite City and National Steel’s major Weirton (W Va.) subsidiary.

### Pool of Talent

With this burst of activity in mind, Air Products & Chemicals president and co-founder Leonard Pool, 54, allows Wall Street predictions of pro forma earnings of \$2.25-to-\$2.50 a share for the fiscal year ending September 30 are “reasonable.” Combined sales are up from \$61,200,000 in fiscal 1960 when pro forma earnings came to \$1.60 a share. However for fiscal 1962 president Pool sees a “year of consolidation” but adds it should be “at least as good as fiscal 1961.” This is somewhat at variance with more buoyant if less well informed Wall Street guesses.

Slim, dignified Leonard Pool explains. First, the merger with Southern Oxygen will take a lot of work and “these things can’t be done with a wand. All the advantages can be destroyed if you move too precipitously.” Also the company carries quite a high amount of long-term debt and must meet its fixed costs. Thirdly, it is pouring special effort into planning, research and hiring for its expansion into the chemicals field. Without the chemicals effort “we would look much better, but we consider it a reinvestment.”

Air Products & Chemicals has established itself as a big factor in the

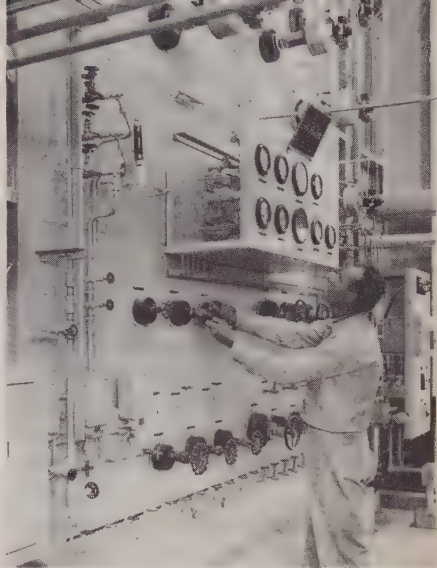


industrial gas field by pioneering the building of on-site oxygen plants. Competitors have paid it the compliment of adopting similar techniques. Rivals include Union Carbide's Linde division, Air Reduction, Chemetron Corp's National Cylinder Gas and General Dynamics' Liquid Carbonics division. Air Products believes it has about one-third of this market and is second only to Linde. In dispensing gas to smaller industrial users, Air Products had about 5% of the market, doubled this share with the Southern Oxygen merger.

The typical arrangement with a steel company calls for Air Products to borrow a large part of the money necessary to build the plant. Its power to do so is enhanced by the fact the steel companies contract to buy a minimum amount of oxygen. Air Products can then use any spare capacity to produce and sell amounts not needed by the steel company. The contract is long-term, usually about 15 years, and Air Products & Chemicals has full responsibility for running the plant.

Leonard Pool refrains from saying what these plants can earn, adding such information would be of great use to the company's competitors. He states the company has no announcements pending of new oxygen plants for steel mills. But the company foresees use of 1,200 cubic feet of oxygen per ton of steel in 1965, compared to a rate of around 600 cubic feet in 1960. This implies a strong need for new oxygen capacity.

Because oxygen is only one component of air, it is only one of Air Products' main products. Others in-



**Liquid helium cold box**

clude nitrogen, hydrogen and argon. Another important one is helium, taken from natural gas. A big plant completed in 1960 provides nitrogen as well as oxygen for the industrial users in the Pittsburgh area and a nitrogen plant is going up now in Neal, W Va. The latter will serve the plastics plant being built there by Novamont Corp, the US manufacturing subsidiary of Italy's Montecatini.

Defense products—especially liquid rocket fuel—are an important part of Air Products & Chemicals business. Before the Southern Oxygen merger they were around 70% of sales. However, since Southern Oxygen's business is almost entirely civilian, defense sales of the combined company are a little under half of the total. Air Products & Chemicals has liquid oxygen producing facilities at Santa Susana, Nimbus and Edwards Air Force Bases, all in California, as well as at Denver and

Cape Canaveral. It also has a liquid hydrogen plant at West Palm Beach.

The West Palm Beach installation, named Papa Bear, is making the fuel for the Centaur, a rocket for launching relatively small satellites, as well as for heavy-duty missile Saturn which develops tremendous thrust and consumes enormous quantities of liquid hydrogen. Also in the works is an AEC-NASA nuclear rocket program, Project Rover, which will use liquid hydrogen heated to explosive temperatures by a nuclear reactor. Missile use of hydrogen is expected to quintuple and oxygen is expected to triple by 1965 according to an Arthur D Little & Company report.

#### **Cold Defense**

Defense work has also led Air Products into the cool world of cryogenics (IR, Sept 28, 1960), the use of matter at exceedingly low temperatures. A particular lure is such matter becomes super-conductive, can be used in computers and other electronic devices for many purposes. Air Products makes miniaturized cryogenic equipment, including tiny helium refrigeration units, which has cooling applications in outer space equipment and in infrared testing equipment.

Addition of Southern Oxygen for 190,000 Air Products shares (one share Air Products for every three Southern) gives the parent some 50,000 more names for its customer list. Southern Oxygen's main offerings are oxygen and acetylene but it also sells a number of other gases for industrial and medical use. Distributing throughout the Southeast, the new Air Products division will

continue to operate under the name Southern Oxygen.

For connoisseurs of elegant ambiguities, the corporate shell of Southern Oxygen left after the merger is called Oxygen Dissolution Inc. Oxygen Dissolution is expected to vaporize within a month.

Air Products & Chemicals now has 1,600,000 shares outstanding. Their action has been volatile. The stock currently sells around its high of 72, has been as low as 42 in the past year. It pays a strictly growth-stock type dividend of 20¢ a share yearly.

Growth impeller Leonard Pool has come up with the key ideas which got his company started and zoomed it ahead each time it paused. It began with a small oxygen generator which made it possible to start on-site generation. Then came improvements to the contract arrangements between steel companies and Air Products—getting out of leasing and instead maintaining ownership and direction of the plants. Finally dynamic Pool in 1956 swung the first of the big five deals for on-site plants for the major steel companies.

A man who has built a company without benefit of a college degree or engineering training, Leonard Pool now holds an honorary doctorate from Lehigh. Says he: "When I get mad at the younger executives around here, I tell them to call me 'Doctor'." Asked what his chief outside interest is, Dr Pool replies diffidently: "Air Products." Actually among other things he is a board member of Allentown General Hospital, Cedar Crest College and the Federal Reserve Bank of Philadelphia.



## APPLIANCES

### Sunbeam Spread

**W**HILE SUNBEAM CORP president Robert P Gwinn is busy in Europe looking over foreign operations, younger brother Herbert C Gwinn is at Sunbeam's Chicago headquarters watching company developments from his treasurer's post. He reports: "Our sales in the first [June] quarter of our fiscal year are up 10% from the \$29,600,000 of the first quarter last year and earnings are a full 20% ahead" of the 51¢ a share realized in the June 1960 period. Treasurer Gwinn credits "no particular product" for the rise but rather sees "an across the board upturn."

A well known specialist in small appliances (eg, Mixmaster), Sunbeam suffered last year with the sharp decline in the appliance industry and the general economic slowdown. Sales in the March 1961 year dipped 3% to \$157,000,000 from the record \$162,200,000 of 1959/60. Earnings "were off substantially" to \$8,470,000 or \$2.51 a share against \$12,220,000 or \$3.65 a share the year before. All figures are adjusted for the acquisition in April 1960 of John Oster Manufacturing, \$35,000,000-a-year producer of Osterizer blenders and other houseware appliances as well as barbershop clippers and similar lines. Before allowing for the merger, Sunbeam itself had reported sales of \$127,500,000 in fiscal 1959/60 with earnings of \$11,900,000 or \$3.80 on fewer shares.

But in 1961/62 treasurer Gwinn ventures "the company should have a reasonably good year." He cites trimmed inventories, new products,

a stronger research force (through the Oster acquisition), "the definite sales increase in small appliances."

So far the 3,370,000 Sunbeam shares—Big Board listed as SMB—do not appear to reflect the treasurer's quiet optimism. The current price around 54 is up from the three-year low of 45 made in March of this year but well below the alltime peak of 67 scored in 1959 or last year's high of 64½.

### Oster Blends

The acquisition of Oster provides Sunbeam with a broader product line. Such basic Sunbeam items as electric coffeemakers, mixers, toasters, shavers, etc are being supplemented by Oster's blenders and knife & scissors sharpeners. Additional sales oomph will come from a catalog full of improved products such as Instant percolators, Coffeemaster coffeemakers, Model 555 Shavemasters, a wider range of electric blankets.

Another bright ray in the Sunbeam firmament is the \$13,000,000-a-year Avionic division which John Oster brought along as a dowry. Items include instruments and components for missiles, aircraft and ships such as synchro-servomechanisms, motor gear trains, tachometer generators and precision motors. Herbert Gwinn comments: "Avionic adds a whole new area to Sunbeam operations and an additional research group." He adds, "we intend to operate John Oster (including Avionic) as a separate division."

Besides Oster (acquired for 230,000 shares of Sunbeam common), the company also bought General Molded Plastics for 23,000 shares



**Sunbeam readies her meal**

last year. This small (under \$2,000,000 annual sales) company provides about half of Sunbeam's plastic needs and its facilities are taxed to keep up with parent company demand. Treasurer Gwinn states "we are operating General Molded Plastics on a six-day schedule."

Sunbeam actively markets overseas too. It already has manufacturing facilities in Argentina, Mexico, Puerto Rico, Scotland and Italy and more are in the offing. The Italian plant is expanding an additional 35,000 square feet this September and "we plan to manufacture in Sao Paulo, Brazil within the near future." Sunbeam also has a distribution network throughout Europe and South America. With foreign operations contributing some 25-to-30% of Sunbeam profits treasurer Gwinn admits the Administration's proposed tax increases on overseas subsidiaries would affect earnings some—"but not to any great extent."

## **CEMENT Ideas from Ideal**

**A**FTER the usual introduction citing his education (University of Denver '27) and business (in cement since 1930, president of Ideal Cement since 1952), 57-year-old Cris Dobbins took the mike at the New York Security Analysts lunch two weeks ago: "In my spare time I like preparing speeches for the Analysts." This prefaced a good-natured talk which testified to a spare time well spent.

He started off with a brisk quote on diversification: "Unlike many cement companies diversifying horizontally, vertically, and the other day I heard of a conglomerate diversification—I don't know what that means, but then I didn't go to Harvard—we intend to continue making cement."

Then president Dobbins enumerated the problems facing a cement maker. "Manufacture and marketing are closely related. Because of cement's low cost, bulk and weight, transportation costs from the mill to the point of use represent a large part of the cost to the user." And the law of supply & demand is a particularly immediate one. "Production must be keyed to shipments to avoid kiln shutdowns and finished cement storage problems."

These industry conditions have led Denver-based Ideal to push its own kind of diversification: geography. With 17 plants, the company now operates diagonally across the US from the State of Washington to Florida, is also active in California, Nevada and the Southwest. Ideal has entered



these broader marketing areas "with the objective of lessening the impact of regional slowdowns and economic slumps."

Cris Dobbins also noted a cement company's health is closely affected by the volume of construction in its area. And Ideal is fortunate in the number of growth areas it serves.

However, the whole industry currently suffers from overcapacity. The US Bureau of Mines estimated last year's productive cement capacity at 425,000,000 barrels, a 36% increase in five years. But "apparent use" was only a little under 310,000,000 barrels. Commented Cris Dobbins: "This widening gap between productive capacity and actual use makes one wonder what the reason is for continued construction of new cement capacity."

#### **Ideal Leadership**

Yet he is the first to admit Ideal led the way, increased its capacity in the last six years by 90% to 40,000,000 barrels which makes it the largest cement maker in the land. His explanation: "Without question the growth in industry capacity has been inspired by the expectation of profits" but these have not yet caught up. One stumbling block, Cris Dobbins thinks, has been imports. "Although imports represent a little over 1% of use, they upset the market out of all proportion to their size."

One other factor which has pushed establishment of new cement plants by both Ideal and its rivals: "The more highly automated new plants offer manufacturing efficiencies and lower per barrel costs which enable longer shipments"—to a radius of

300 miles or so *v* about 150 miles for older plants. Again, Ideal is fortunate because in a number of places like Montana and New Mexico there are no major plants within competitive range.

However the cement business picture is not altogether dull and president Dobbins emphasizes it still presents a challenge to Ideal's abilities and resources. He cites the increased appropriations for the interstate highway system (some \$12 billion), the expanded Federal airport aid program, the housing bill and urban renewal as all "requiring increased amounts of cement." And he figures Ideal Cement because of its advantageous geographic position "stands to benefit."

Profits also should benefit from company plans for "modest price increases" this Fall to cover "higher labor costs and increased power and fuel costs." The president explained Ideal is currently appraising costs plant by plant and expects to make the price announcements by September 1 but he gave no clues as to the amount. The move will mark the first major cement price change in two years.

Price along with demand limitations had dropped Ideal earnings to \$1.22 a share last year from the 1959 peak of \$1.58. But there was a slight recovery in the first half of this year. With sales up 8% to \$56,600,000 the company managed to eke out earnings of 67¢ *v* 64¢ a share. For the rest of 1961 Cris Dobbins summed up: "We look for a net income figure which should improve considerably."

## **Monsanto's Mushrooming Growth**

### **Synthetic Fibers And Hydrocarbon Chemicals Expand Product Mix**

**W**HEN Charles Henry Sommer, fresh from the University of Arizona with a BS in chemistry, joined Monsanto Chemical Company in hometown St Louis in 1934, few people had heard of the modest \$15,000,000-sales company. Charlie Sommer reflects: "When my friends who knew nothing of the future of chemistry learned I was working for Monsanto they tried to be encouraging—'Perhaps things will get better and you'll get a good job yet'."

But St Louis-born & bred Charlie Sommer knew and liked Monsanto and had decided to stake his career on the company's growth. Now he is Monsanto's president and the company is the nation's third largest chemist (after duPont and Union Carbide) with sales close to \$1 billion and assets \$90,000,000 over the billion mark.

In office since March of last year, president Sommer comments: "It has been quite a year, exciting, eventful and in many ways very satisfying." He notes in the first half of 1961 Monsanto sales of \$465,600,000 were 1% ahead of last year though net income was off to \$1.27 a share compared with \$1.41. But genial Charlie Sommer enthusiastically points to a sharp second quarter improvement after a laggard March period: "Sales in the second quarter were an alltime high of \$246,000,000 or 5% ahead of last year." And earnings were within a

penny a share of the 71¢ netted in the second period last year.

For the full year chief Sommer not only looks for "sales ahead of the \$890,000,000 of 1960" but "if the economy continues to rise it is reasonable to assume we'll be ahead in earnings." Last year Monsanto earned \$67,800,000 or \$2.49 a share, a figure bettered only in 1955 (\$2.87) and 1959 (\$2.80).

The 51-year-old president admits the chemical industry is beset with a host of problems, among them higher labor costs, higher marketing and research expenses and lower selling prices brought on by overcapacity. But he feels Monsanto has taken positive action to meet these problems. Most basic are economies built right into its manufacturing structure—for example, through the moves toward self-sufficiency in hydrocarbon production on a 3,000-acre site in Chocolate Bayou, Texas near Monsanto's huge Texas City installation.

### **Project Underway**

Right now the company is building a major hydrocarbon plant specifically designed for manufacture of chemical raw materials. The plant, whose cost industry specialists estimate around \$75,000,000, is scheduled to go on stream late in 1962. It will have an annual capacity of 500,000,000 pounds of ethylene, 50,000,000 pounds of naphthalene and 50,000,000 gallons of benzene. President Sommer explains: "These three chemicals are the most important hydrocarbon raw materials used by Monsanto in the manufacture of



its hundreds of organic chemicals and plastics."

In the past, industry-wide shortages of these chemicals have cut into Monsanto's production schedules and hampered the company in its sale of end products. Chocolate Bayou will "assure us of an uninterrupted supply of raw materials at costs permitting the type of profit margins we expect on our end products."

The Chocolate Bayou project forges a new link between Monsanto and the oil & gas reserves it acquired when it merged Lion Oil in 1955. Part of Chocolate Bayou's fuel requirements will be piped in from Lion gas wells in the area. Lion will also provide some of the project's actual feed stock requirements—a small percentage initially but the proportion is expected to increase in time.

Lion is already reorienting its exploration program to achieve greater production on the Gulf Coast. At present Lion has 1,100 producing oil and gas wells in twelve Mid-Continent states plus Canada and Venezuela. It also has exploration leaseholds in Bolivia and Spain.

Chocolate Bayou's unique design will produce a high yield of hydrocarbon raw materials particularly suited to chemical processing. This contrasts with an oil refinery which starts with the same basic petroleum source but concentrates on hydrocarbon products used as fuels and lubricants.

The plant's products are readily upgraded into derivatives for Monsanto's established markets. Presi-



**Computers do the work at Luling**

dent Sommer estimates "at the start some 60% of Chocolate Bayou output will be captively used to make Monsanto chemicals." The balance will be sold under long-term contracts to other industrial users.

In a different sphere of operations, Monsanto took an important integration step when it acquired full ownership of Chemstrand Corp previously held 50-50 with American Viscose. Charlie Sommer explains: "Synthetic fibers are polymers and our knowledge in this area of chemistry is great. With the acquisition of the remaining 50% we are able to translate our background and know-how more directly into Chemstrand."

The acquisition also gave American Viscose ("Avisco") 3,540,000 Monsanto shares or 13% of the 27,200,000 outstanding. But under an escrow agreement all voting rights

to these shares are "passed through" to the individual Avisco shareholders and not controlled by the textile company's management.

In any case their holdings so far have proved a profitable investment. Monsanto stock which sold down to 35 last year is back within a point of the 1959 alltime high of 56 $\frac{3}{4}$ . Monsanto can boast uninterrupted dividends since 1925 but at present prices the prevailing 25¢ quarterly rate makes for a truly growth-stock yield of only 1.8%. However in each of the past six years but 1958 the cash payout has been sweetened by a 2% stock disbursement.

Chemstrand's 1960 sales of \$204,000,000 and profits of \$24,000,000 have been consolidated pro forma in the parent company statements, amounting to about a quarter of total Monsanto volume and a third of earnings.

Formed in 1949, Chemstrand had a rough time in the early years, but it broke into the black in 1955 and

#### ***Chemstrand Acrilan in the making***



has continued to improve, reaching record totals last year. And Charlie Sommer notes "sales of Chemstrand were up a little in the first half of this year." He expects the gain to be maintained for the year. Chemstrand is second to duPont in production of nylon and acrylic fibers (its brand: Acrilan). It operates three US plants, has a wholly owned subsidiary in Northern Ireland at Coleraine and holds minority interests in acrylic fiber producing companies in Italy and Japan.

While Chemstrand and the Chocolate Bayou project are two new and exciting aspects of Monsanto, the company has built itself a solid foundation of basic chemical products in its 60 years. Monsanto is the largest producer of aspirin, saccharin, maleic anhydride (for making polyester plastics) and vinyl butyral (interlayer of laminated safety glass). It is the world's largest producer of phosphates and phosphorus which it gouges out of giant open pit mines in Idaho and Tennessee.

Last year the inorganic division's phosphates, detergent phosphates and food-grade phosphates accounted for 12% of company sales and in the first half of 1961 this group "has shown an increase second only to that of agricultural chemicals."

The upswing in agricultural chemical sales partly results from last year's consolidation of the company's two agricultural operations. Now research, development, manufacturing and marketing are effectively combined in one division with sales some 6% of total Monsanto



volume. Monsanto's farm chemicals include fertilizers, animal feed additives and pesticides. President Sommer points out "this has been a particularly good year for our pesticides as there have been bugs in profusion."

### **Sweet Beginning**

The oldest Monsanto division is organic chemicals which makes hundreds of organic compounds including company founder John Queeny's first product, saccharin. Incidentally the Queeny family is still a very active part of Monsanto which was named for John Queeny's bride, Olga Monsanto. Founder Queeny's son Edgar who served as president in 1928-43 is chairman of the finance committee.

President Sommer spent his Monsanto apprenticeship in organic chemicals. He started as a salesman and became a product sales manager in 1939. After a stint as general manager of the Merrimac heavy chemicals division he returned to organic chemicals in 1954, this time as general manager and a Monsanto vp. Charlie was elected executive vp and a director in 1959, president the next year.

Four years after Charlie started at Monsanto, the company set up the plastics division "back when the industry was still an infant." Today the 23-year-old unit operates six plants, accounts for 22% of company volume and has made Monsanto one of the largest and most diversified plastics producers. The division turns out a wealth of plastics: polyvinyl chlorides, polystyrenes, polyvinyl butyral, high-pressure polyethylene,

phenolics, melamines and urea resins.

Through Mobay Chemical, owned 50-50 with Farbenfabriken Bayer, Monsanto also is a leading factor in polyurethanes. Mobay is the biggest urethane producer in the US (IR, July 19).

Monsanto has also teamed in numerous other joint ventures. Among domestic 50-50 operations: Plax Corp (owned jointly with Emhart Manufacturing) which makes polyethylene bottles for detergents and polystyrene packaging films; Shawinigan Resins (with Shawinigan Chemical) which produces vinyls and polyvinyls; Fome-Cor (with St Regis Paper) which makes laminated board by sandwiching polystyrene foam in kraft paper. These 50%-owned domestic associated companies are not consolidated in Monsanto's financial statement.

Abroad Monsanto has a 50%-or-less stake in seven affiliates. President Sommer remarks: "While we prefer control if we can get it, partnerships with nationals are very constructive."

In addition to the seven foreign affiliates, Monsanto, which has operated overseas since 1920, also has nine subsidiaries in six countries. Subsidiaries are defined as more-than-50%-owned by Monsanto and are consolidated in the financial reports. Besides these manufacturing operations, the company has distribution facilities in 69 countries. It considers itself "the most international-minded chemical company."

This worldwide wealth of chemicals, plastics and synthetic fibers is backed by an expansive but increas-

ingly centralized research & development program. President Sommer feels "by centralizing research we will effect many economies and efficiencies." Monsanto has scheduled an overall research budget of \$42,000,000 for this year. Headquarters for the effort is the new research center at Creve Coeur, 15 miles from downtown St Louis (see cover). Monsanto's first plant and executive headquarters are also located here. The dedication is scheduled for late October by its two originators—board chairman Charles Allen Thomas and vp of research Carroll A Hochwalt. This pair of former bench chemists founded Thomas & Hochwalt, a Dayton research company which Monsanto merged back in 1936.

Last year the company set up a separate Monsanto Research Corp expressly to handle Government contract research but president Sommer hopes "the knowledge and experience gained will [also] be valuable to the [rest of the] company in the future." A happy advocate of automation, Monsanto late in 1959 set up the Luling, La ammonia process plant to be strictly computer-operated. And last month Monsanto announced four Minneapolis-Honeywell digital computers will provide on-

line control in the ethylene plant at Chocolate Bayou.

President Sommer points out: "Technology is a strong point at Monsanto. Anyone can buy the know-how to produce most basic monomers and simple polymers [evidence: the great number of oil companies making such products today] but know-how for upgrading and manufacturing sophisticated products is less easy to come by and this is the kind of know-how which counts and pays off. At Monsanto our background of technical knowledge is perhaps our strongest selling point."

Besides technology, diverse operations ("insurance against getting hurt in any one area") and expanding foreign operations ("where the economy is growing at a faster pace than in the US"), Monsanto has a strong financial position. Long-term debt is only \$287,000,000. The company started this year with \$240,000,000 in working capital, \$108,000,000 in cash items. Depreciation is expected to provide in excess of \$82,000,000 in 1961. So even without counting retained earnings, adequate funds are available to finance this year's husky \$140,000,000 capital expenditures program.

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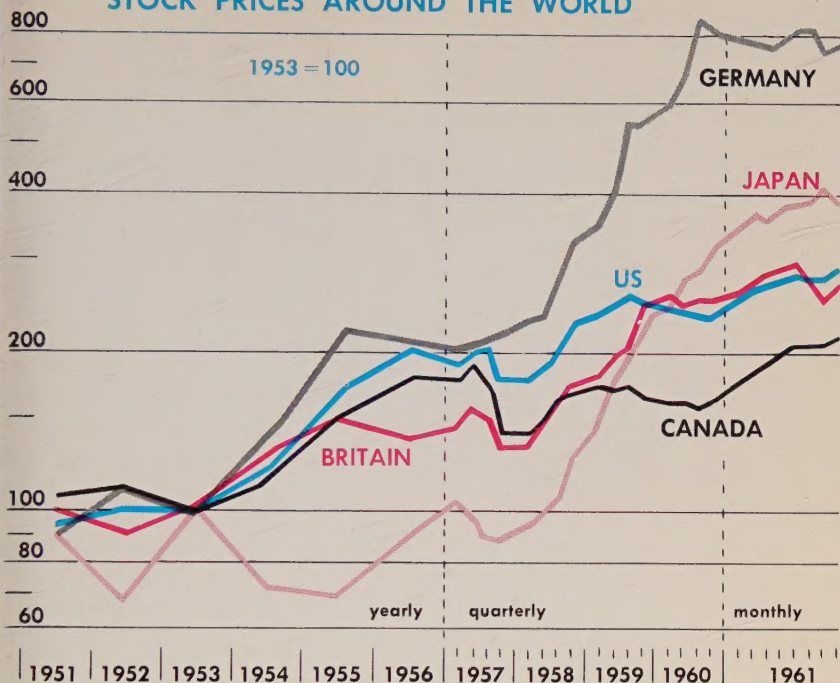
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## STOCK PRICES AROUND THE WORLD



As the chart amply illustrates, in the past ten years stock prices have continually pushed through to new highs not only in the US but also abroad with Germany and Japan the biggest gainers among the major industrial nations. The figures, put on a common base of 1953=100, were compiled by the International Monetary Fund and updated by INVESTOR'S READER.

This year advance and hesitation have blended. In the US average share prices hit another new high this month. The British market climbed steeply to a new high in May, then dropped just as precipitously amid balance-of-payments worries and the recently instituted austerity program. The past couple of weeks however brought some market recovery. The Canadian index has been influenced by the Canadian government action in mid-June to force its dollar from a premium over the US dollar to a discount. Thus, though the average price of Toronto stocks has recently risen in Canadian funds, the investor who figures in terms of US dollars may not have fared as well.

The German market peaked in the 1960 third quarter, has hovered within 14% of this high ever since amid political uncertainties. Meantime Japanese stock prices, bolstered by a booming economy, continued to zoom upward and reached an alltime peak last month before settling back a few points in the first two weeks of August.

**This is a news and educational publication about financial and business matters. Articles are selected for their news or general interest and should not be considered a recommendation to buy or sell securities.**

# FIVE-YEAR PLAN

The five-year plan may be in bad odor because of its Russian origin. But there's a good deal to be said for the idea all the same. A plan for a specific number of years can be a wonderfully effective incentive-giver and goal-establisher.

Suppose you've thought about owning your share of American business but can't manage to buy stocks at the moment. Don't give up the idea for lack of immediate cash. Instead, why not provide yourself with a five-year plan? Set aside a certain sum of money each year for the next five years.

But don't stop there. Do some hypothetical investing, too—just for practice. Start reading the financial page of your newspaper. Choose a half dozen companies that look to you like good investments—perhaps companies that make products you use every day. Follow the performances of their stocks and see how they are affected by news developments, by the activities of their competitors, by their own research and marketing programs.

Then five years from now (or seven or ten or fifteen), when you are ready to invest in fact instead of just in theory, you'll be as knowledgeable as a seasoned stockholder and have a background such as few novice investors can boast.

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# Investor's Reader

*For a better understanding of business news*



LUNDING AND CLEMENTS BREW PROFITS FOR JEWEL TEA (see page 21)



## NATIONAL GYPSUM INNOVATES

This attractive young housewife demonstrates the ease of decorating a newly installed Spiral-Core wall. Produced by Buffalo-based National Gypsum Company, Spiral-Core is made by sandwiching spiral-shaped hardwood shavings (a one-time waste product) between two fire-resistant gypsum panels. A company official says: "Spiral-Core will result in savings of considerable time and money in home construction without any sacrifice in quality."

National Gypsum chairman Melvin H Baker says: "A panel for exterior wall use made of a core of rigid polyurethane foam faced with an asbestos sheet and gypsum board will soon be introduced." Together with Spiral-Core "these panel walls will allow erection of all the walls of a home conveniently and at low cost."

National's recently introduced new wall technique has not been on the market long enough to affect sales. So far this year the company reports sales of \$101,000,000, off 14% from a year ago. Earnings are \$9,340,000 or \$1.45 a share, down 6% from the \$1.67 earned in the first half of 1960. Chairman Baker comments: "Sales dropped because of shrinkage in our prime market—building construction. The drop in earnings reflects reduced margins resulting from lower volume."

But for the second half he adds "an upturn—as reflected in May and June sales—indicates we should make our budgets." He forecasts sales of \$123,000,000 and earnings of \$2.10 a share for the second half of 1961. This would bring full year sales to \$224,000,000, still off a bit from the record \$227,000,000 sales of 1960. National's common trades around 64, a point below the high for the year.

Looking still further ahead chairman Baker states: "The longer range looks even better." Enhancing the construction outlook are: new legislation providing for FHA insurance to encourage home ownership for low income families; loans for home improvement and more money available for public and commercial building and road construction.

